

**A MINIMUM INCOME STANDARD FOR BRITAIN – WORKING PAPER**

**COMPARISON OF MIS AND EXPENDITURE AND FOOD SURVEY DATA**

**Jonathan Bradshaw, Julie Williams and Linda Cusworth**

**Background**

The MIS are supposed to reflect what people need to spend not what they actually spend. The MIS were determined by the focus groups, moderated by expert opinion. However to interpret the results it is worth knowing how they compare to what is actually happening. There is no reason why the MIS budgets should be identical to actual expenditure. Actual expenditure is constrained by income, whereas the MIS budgets have been derived without an income constraint, but aimed to achieve a minimum income standard. The purpose of the comparisons with the EFS is to place the consumption patterns derived from the MIS exercise on the distribution of overall consumption. We do this analysis not because we believe consumption patterns should determine the MIS but to observe whether the MIS is wholly out of kilter with actual consumption patterns.

**Method**

We have combined the EFS data for 5 years (2001/2, 2002/3, 2003/4, 2004/5, and 2005/6), to give a total of 35,031 households, of which 29,334 (83.7%) contain just one tax/benefit unit. We have then analysed expenditure patterns for 9 family types – single pensioner, pensioner couple, single working-age adult, working-age adult couple, lone parent plus 1, 2 and children and couple parents plus 1, 2, 3 and 4 – which represent 27,251 (77.8%) of all the households.

The eight expenditure categories and their sub-categories are shown in table 1. Expenditure was uprated to February 2008 using RPI indices for the different commodities by month. Because the RPI beyond February 2008 was not available at the time, in order to set prices for April 2008, we extrapolated price movements February to April using the latest six months data.

We have analysed expenditure on each category for the different family types, both in £ per week, and as a proportion of overall expenditure, by deciles. We have additionally presented the expenditure of the family units who are dependent on Income Support/income-based Job Seekers Allowance or in the case of pensioners Minimum Income Guarantee/Pension Credit.

**Table 1: MIS/EFS expenditure categories and sub-categories**

<b>Expenditure categories</b>	<b>Subcategories</b>
A food and non-alcoholic beverages	A1 food
	A2 catering
B alcohol and tobacco	B1A alcohol at home
	B1B alcohol away from home
	B2 tobacco and narcotics
C clothing and footwear	
D housing	D1 rent
	D2 mortgage interest
	D3 water
	D4 Council tax
	D5 household insurances
	D6 fuel
	D7 other housing costs
E household goods and services	E1 household goods
	E2A1 postage
	E2A2 telephone
	E2B childcare
	E2C other household services
F personal goods and services (inc health)	
G transport	G1 motoring expenditure
	G2 Fares and other travel costs
H leisure	H1 leisure goods
	H2 pets
	H3 entertainment and recreation
	H4 TV licence and rental
	H5 foreign holidays
	H6 UK holidays
Z other excluded from budget	education
	Fees and Financial services
	House purchase
	Life insurance
	Mortgage capital
	Other insurance
	Other services
	Room hire
Savings, pensions, gifts	

In this paper we present results for the four household types covered in the MIS report.

### Single adult of working age

The total MIS of £157.84 per week excluding housing costs for the single adult of working age is about £105 less than actual mean expenditure, £36 higher than actual expenditure of single working –age people relying on Income Support and about £10 higher than single people of working age in social housing. See Table 2.

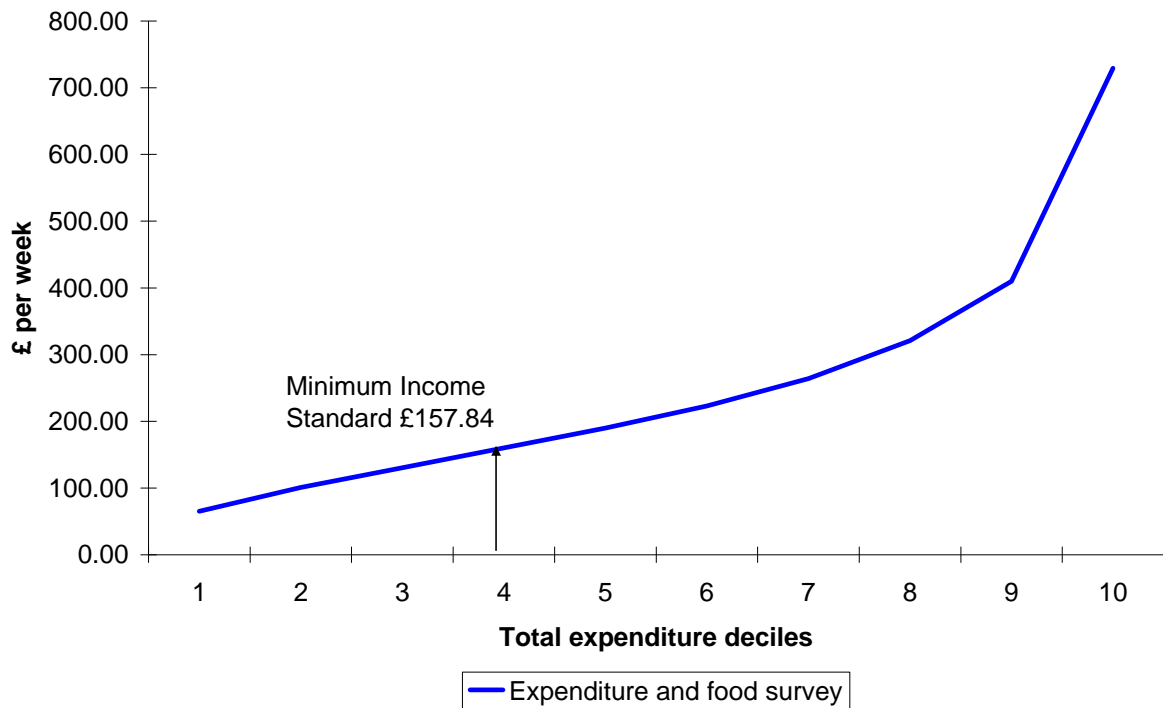
Comparing spending the MIS budget contains less than actual mean expenditure on all commodity groups except food and household services. A possible explanation for the latter is the inclusion of mobile phones and landlines as necessities within the MIS budget for this group. Mobile ownership rates have been increasing rapidly and this may not be reflected in the earlier EFS data. Comparing budget shares, the MIS allows less than the actual average budget shares of IS and social housing cases on alcohol and tobacco, water rates, council tax, fuel, other housing costs, household goods and transport.

**Table 2: Expenditure by commodity in EFS compared with MIS. April 2008.**

Single person	EFS ALL		EFS IS		EFS Social housing		MIS	
	Mean	%	Mean	%	Mean	%	£	%
Food	39.53	15.1	25.30	20.7	28.47	19.3	40.34	25.6
Alcohol	12.82	4.9	6.24	5.1	8.04	5.4	4.38	2.8
Tobacco	5.20	2.0	7.49	6.1	7.50	5.1	0.00	0.0
Clothing	9.29	3.5	4.25	3.5	4.88	3.3	7.64	4.8
Water rates	5.14	2.0	4.88	4.0	5.12	3.5	4.71	3.0
Council tax	15.58	5.9	13.42	11.0	13.36	9.0	13.33	8.4
Household insurances	4.51	1.7	1.12	0.9	0.88	0.6	1.79	1.1
Fuel	14.37	5.5	11.14	9.1	11.08	7.5	9.00	5.7
Other housing costs	18.88	7.2	3.28	2.7	2.29	1.6	2.29	1.5
Household goods	19.25	7.3	8.82	7.2	9.84	6.7	9.50	6.0
Childcare	0.08	0.0	0.12	0.1	0.07	0.0	0.00	0.0
Household services	9.26	3.5	6.98	5.7	6.49	4.4	9.99	6.3
Personal goods and services	10.41	4.0	3.41	2.8	4.79	3.2	8.13	5.1
Motoring	42.94	16.4	7.23	5.9	14.43	9.8	0.00	0.0
Other travel costs	7.17	2.7	3.01	2.5	4.29	2.9	17.03	10.8
Leisure	47.95	18.3	15.45	12.7	26.34	17.8	29.73	18.8
Total	262.39	100.0	122.14	100.0	147.87	100.0	157.84	100.0
Rent	80.30		77.69		72.42		52.30	
unweighted base	4696		693		1154			

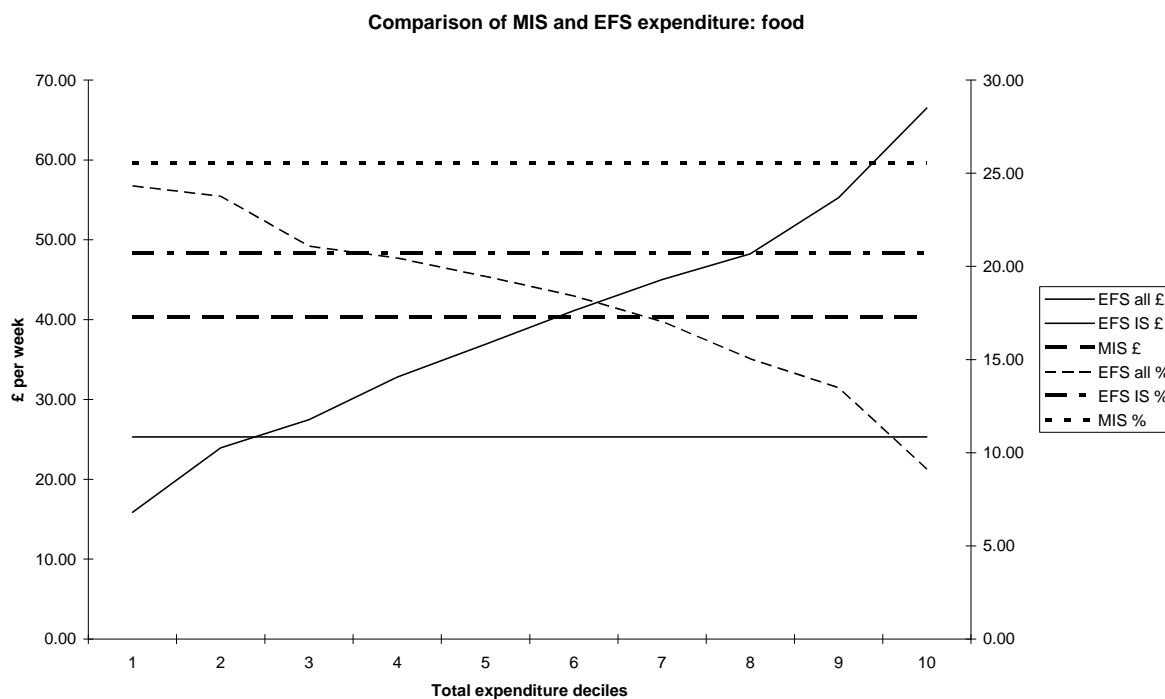
Figure 1 shows the decile distribution of total expenditure for single people of working age. The MIS budget is about a third along the distribution of expenditure.

**Figure 1: Decile distribution of expenditure: working age single.**



There is an excel spread-sheet on the MIS website **decile analysis single working age** which provides a comparison of the distribution of expenditure on each commodity by decile group. Figure 2 shows the distribution of expenditure on **food**. The left hand axis shows the distribution of food in £ per week. It can be seen that food expenditure rises with each decile group. The right hand axis gives the budget share of food expenditure and shows that the proportion of the budget spent on food declines as income rises. The horizontal lines show the points where the MIS for food and the expenditure on food of single people on Income Support falls in these distributions. Thus the MIS for food is at the level of actual expenditure of about the sixth decile.

**Figure 2: Expenditure on food by decile: Single working age.**



### Pensioner couple

Table 3 compares the MIS for a pensioner couple with the actual expenditure of all pensioner couples and those receiving Minimum Income Guarantee or Pension Credit and those in social housing. The overall MIS for the pensioner couple is £201.49 excluding housing costs. This is about £161 lower than mean national expenditure, £30 lower than couple pensioners receiving MIG/PC and £11 lower than couple pensioners in social housing. The main reason that the MIS is lower than MIG/PC and social housing is the introduction of free bus transport from April 2008 which is not reflected in the historical expenditure data.

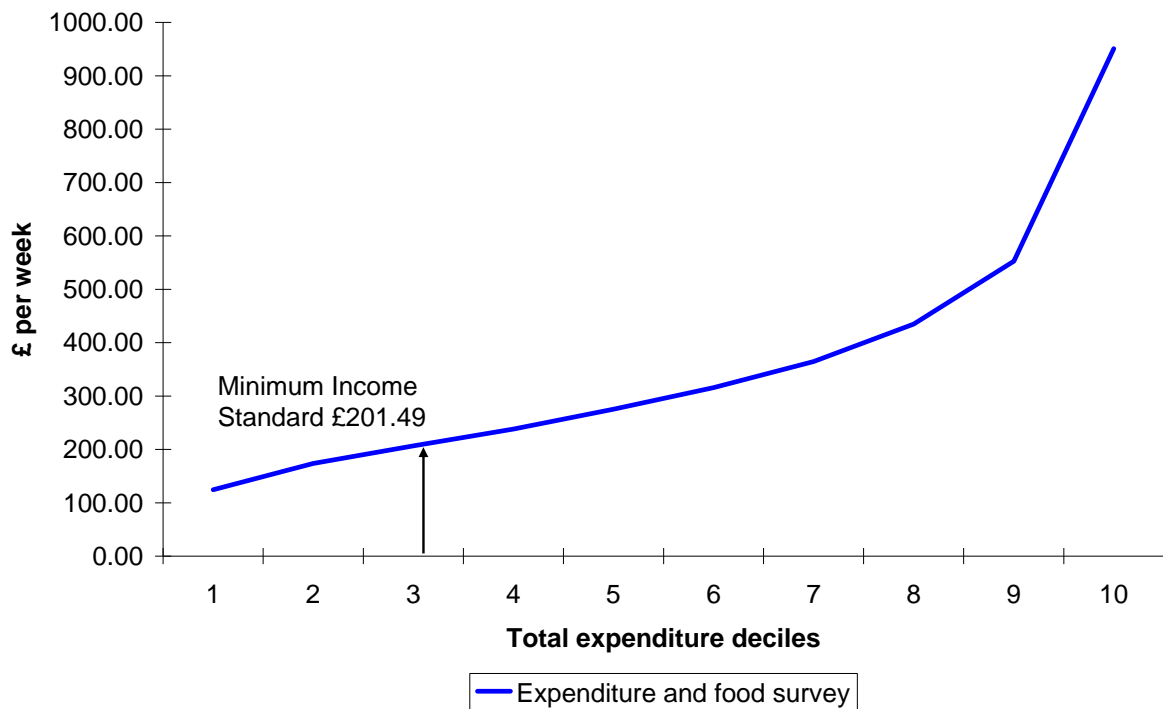
In terms of pounds per week, the MIS budget contains less than actual expenditure of pensioners on all commodities except personal goods and services. Personal goods and service which includes health costs may be higher in the MIS because the MIS budgets do not take account of exemptions from charges for spectacles or dental treatment which are only available to some pensioners. The allowance in the MIS for hairdressing services for women may also contribute. The budget shares in the MIS are similar to Pension credit/MIG and social housing groups for most commodities except that they are lower for fuel, household goods and travel.

**Table 3: Expenditure by commodity in EFS compared with MIS. April 2008**

Couple Pensioners	EFS ALL		EFS MIG/PC/IS		EFS Social housing		MIS	
	Mean	%	Mean	%	Mean	%	£	%
Food	65.60	18.1	53.58	23.2	52.81	24.9	53.25	26.4
Alcohol	10.83	3.0	6.69	2.9	7.11	3.3	7.40	3.7
Tobacco	2.94	0.8	5.32	2.3	5.79	2.7	0.00	0.0
Clothing	12.10	3.3	7.41	3.2	6.72	3.2	9.93	4.9
Water rates	6.31	1.7	5.88	2.5	5.70	2.7	5.56	2.8
Council tax	24.49	6.8	19.53	8.5	18.43	8.7	17.77	8.8
Household insurances	6.21	1.7	3.10	1.3	1.59	0.8	1.65	0.8
Fuel	21.00	5.8	18.15	7.9	14.93	7.0	10.62	5.3
Other housing costs	29.02	8.0	9.59	4.1	3.61	1.7	3.61	1.8
Household goods	26.33	7.3	20.79	9.0	16.10	7.6	11.12	5.5
Childcare	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Household services	9.26	2.6	7.99	3.5	6.40	3.0	9.07	4.5
Personal goods and services	20.57	5.7	9.22	4.0	9.72	4.6	23.65	11.7
Motoring	48.61	13.4	20.99	9.1	19.22	9.1	0.00	0.0
Other travel costs	5.89	1.6	3.42	1.5	4.96	2.3	4.65	2.3
Leisure	73.03	20.2	39.40	17.1	39.26	18.5	43.21	21.4
<b>Total</b>	<b>362.19</b>		<b>231.06</b>		<b>212.33</b>		<b>201.49</b>	
Rent	14.86	4.1	46.52	20.1	71.77	33.8	64.43	31.98
unweighted base	3579		280		486			

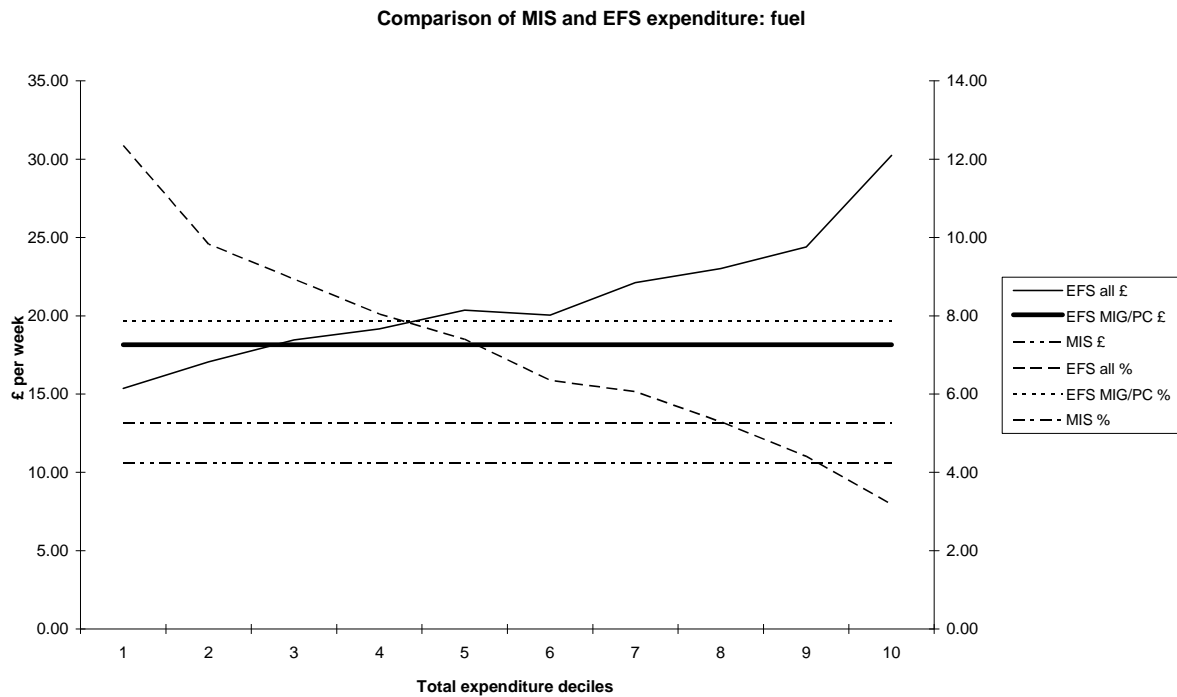
Figure 3 shows that for pensioner couples the MIS comes about a quarter along the overall distribution.

**Figure 3: Decile distribution of expenditure: pensioner couple**



There is an excel spreadsheet on the MIS website which provides more data on the distribution of expenditure of pensioner couples by decile group. Figure 4 provides the example of **fuel** expenditure. As before, the left hand axis gives the £ per week spent and the right hand axis the percentage of total expenditure. The horizontal lines show where the MIS budget for fuel and the spending of pensioner couples on MIG/PC cross the decile distribution. The MIS budget for fuel is very low – it comes below level of spending of the lowest decile. The reasons for this are that the MIS assumed that pensioners were occupying a flat with fairly high thermal quality and efficient heating. This is not the case for all pensioners.

**Figure 4: Expenditure on fuel by decile: Couple pensioner**



**Couple plus two children**

The total MIS for the couple with two children excluding childcare and rent is £370.05 per week (see Table 4). This is £240 less than actual average expenditure, £83 higher than similar families on IS or in social housing.

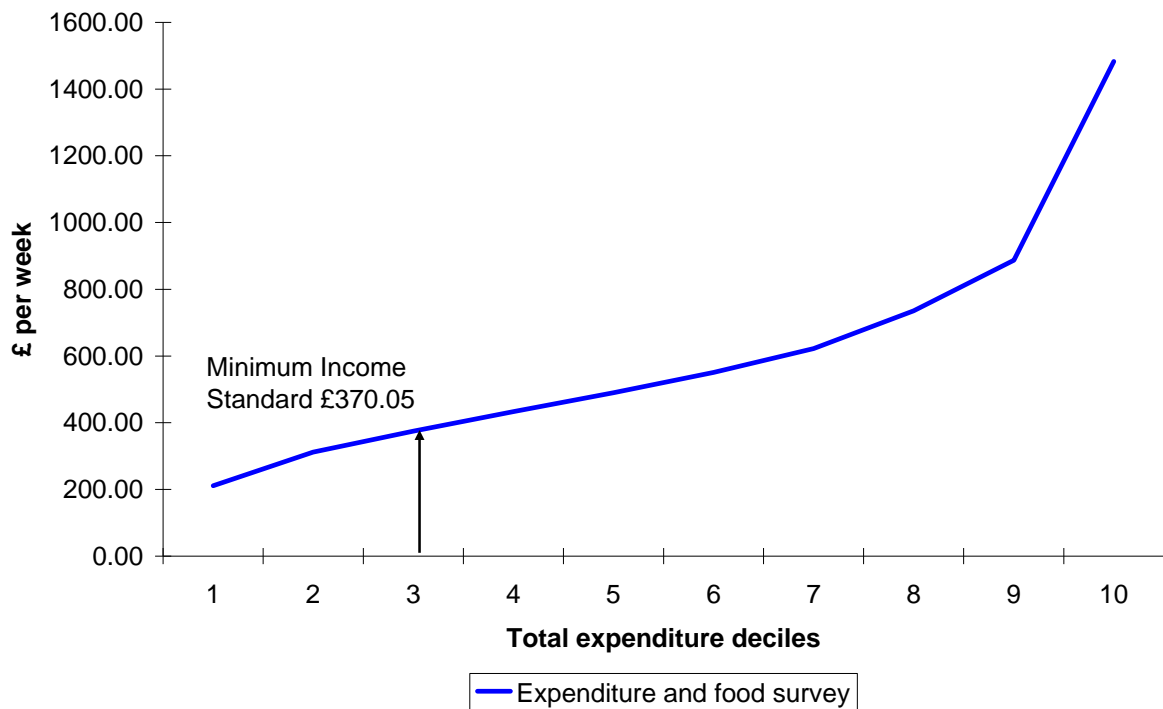
In terms of budget shares, the MIS contains less on alcohol, tobacco, water rates, other housing costs, household goods and transport in comparisons with families on IS or in social housing. The lower costs for alcohol are the result of focus group consensus that consumption outside the home was not a necessity for couples with young families. Therefore all prices for alcohol were collected in supermarket stores.

**Table 4: Expenditure by commodity in EFS compared with MIS. April 2008**

Couple plus two	EFS ALL		EFS IS		EFS Social housing		MIS	
	Mean	%	Mean	%	Mean	%	£	%
Food	111.55	18.3	67.58	23.5	82.16	23.6	97.47	26.3
Alcohol	17.99	2.9	6.86	2.4	10.67	3.1	6.06	1.6
Tobacco	5.54	0.9	13.68	4.8	14.98	4.3	0.00	0.0
Clothing	31.61	5.2	18.60	6.5	21.48	6.2	29.26	7.9
Water rates	7.08	1.2	6.46	2.3	6.88	2.0	5.45	1.5
Council tax	24.35	4.0	18.14	6.3	18.86	5.4	20.73	5.6
Household insurances	8.39	1.4	1.81	0.6	1.61	0.5	2.23	0.6
Fuel	24.73	4.1	20.20	7.0	17.50	5.0	18.49	5.0
Other housing costs	58.96	9.7	10.11	3.5	7.26	2.1	7.26	2.0
Household goods	42.06	6.9	19.98	7.0	21.17	6.1	17.39	4.7
Household services	15.22	2.5	8.78	3.1	11.65	3.3	13.21	3.6
Personal goods and services	27.24	4.5	11.44	4.0	13.57	3.9	27.39	7.4
Motoring	97.13	15.9	36.11	12.6	53.06	15.2	0.00	0.0
Other travel costs	13.08	2.1	5.55	1.9	7.62	2.2	35.02	9.5
Leisure	125.22	20.5	41.80	14.6	59.75	17.2	90.08	24.3
							0.00	
Total	610.14		287.09		348.21		370.05	
Rent	122.31		92.84		78.83		69.40	
unweighted base	3289		127		332			

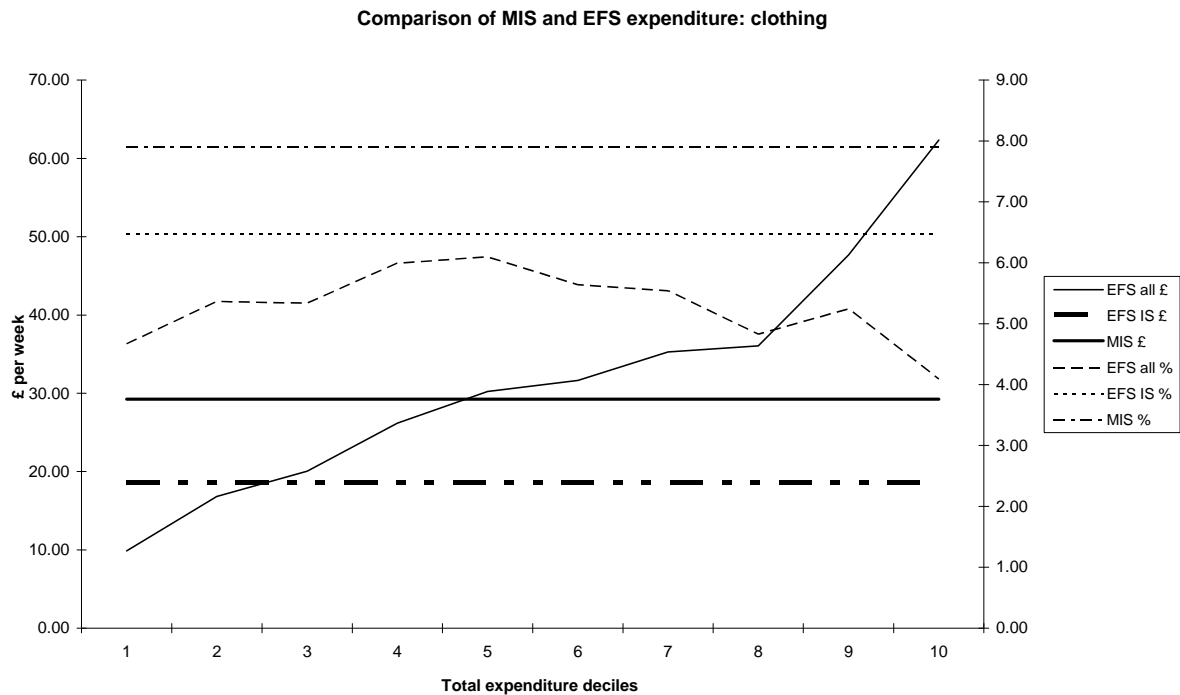
Figure 5 shows that for couples with two children the MIS comes about a quarter along the distribution of total expenditure.

**Figure 5: Decile distribution of expenditure: couple + 2 children**



On the MIS website there is an excel file which provides a detailed analysis of spending on each commodity by decile group for couples with two children (note that childcare is included in the spreadsheet but not here). In Figure 6 we present the results for spending on **clothing** for this family type. Spending on clothing increases with income and the MIS clothing budget comes around the boundary of the fourth and fifth decile. As a percentage of the total budget the MIS budget share is higher than average.

**Figure 6: Expenditure on clothing by decile: Couple with two children**



**Lone parent with one child**

In the case of the lone parent with one child (a toddler), the total MIS budget excluding childcare is £210.31, which is £5 less than the average actual expenditure, £49 more than lone parents on IS and £27 more than lone parents with one child in social housing spend (See Table 5)

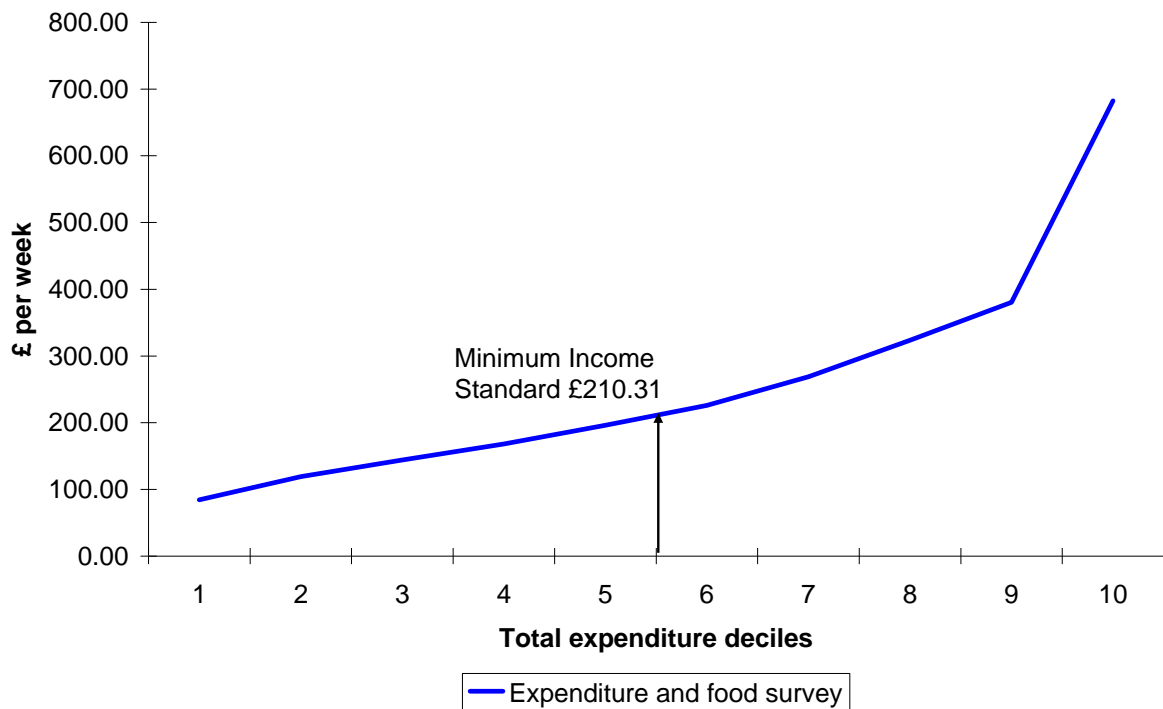
In comparisons with average actual expenditure, the MIS budget is higher than average for water rates, council tax, fuel and personal goods and services. In comparison with budget shares the MIS budget is similar to the IS and social housing groups except for tobacco, personal goods and services and social and cultural participation.

**Table 5: Expenditure by commodity in EFS compared with MIS. April 2008**

Lone plus one	EFS ALL		EFS IS		EFS Social housing		MIS	
	Mean	%	Mean	%	Mean	%	£	%
Food	52.27	19.6	41.56	25.7	44.80	24.5	47.05	22.4
Alcohol	7.00	2.6	3.94	2.4	4.47	2.4	3.48	1.7
Tobacco	5.70	2.1	6.41	4.0	6.41	3.5	0.00	0.0
Clothing	16.95	6.3	11.33	7.0	12.90	7.1	16.41	7.8
Water rates	6.09	2.3	5.89	3.6	6.09	3.3	7.38	3.5
Council tax	15.29	5.7	13.77	8.5	13.68	7.5	15.55	7.4
Household insurances	3.47	1.3	1.10	0.7	1.03	0.6	1.99	0.9
Fuel	15.90	5.9	13.09	8.1	13.00	7.1	16.43	7.8
Other housing costs	14.80	5.5	2.83	1.8	2.12	1.2	2.12	1.0
Household goods	22.27	8.3	12.28	7.6	14.03	7.7	16.37	7.8
Household services	9.95	3.7	6.42	4.0	7.86	4.3	6.72	3.2
Personal goods and services	12.92	4.8	8.07	5.0	8.77	4.8	19.47	9.3
Motoring	29.13	10.9	9.23	5.7	15.65	8.6	0.00	0.0
Other travel costs	5.77	2.2	3.47	2.1	4.67	2.6	17.16	8.2
Leisure	43.45	16.3	22.01	13.6	27.40	15.0	40.16	19.1
							0.00	
Total	260.97		161.40		182.89		210.31	
Rent/mortgage interest	89.33		92.04		80.24		64.07	
unweighted base	1076		436.00		508.00			

Figure 7 shows that for lone parent with one child the MIS comes half way along the distribution of total expenditure. This is not surprising as the incomes of lone parents is low – nearly half are receiving out of work benefits.

**Figure 7: Decile distribution of expenditure ; lone parent + 1 child**



There is an excel spreadsheet on the MIS website that gives further details of the distribution of spending by decile of lone parents with one child (note the spreadsheet includes childcare costs, this analysis does not). Figure 8 shows that spending on household goods rises slowly across the decile distribution and sharply for the top two deciles. The MIS budget comes in the middle of the distribution in £ per week but it towards the top end of the distribution in budget shares.

**Figure 8: Expenditure on household goods by decile: Lone parent with one child**

